

The Logistics Service Providers' Role in the Supply Chain of Pittard Tannery Ethiopia

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Abstract: The objective of this research is to investigate the logistics service providers' roles to Pittard Tannery supply chain by recognizing how the expected roles are performed. To achieve the expected objective, the author searched several books and articles that are pertinent within the scope of the research topic. Both qualitative and explorative data collection methods are used in the research and these involve conducting interviews and taking information from the logistics companies website concerning the research topic. The conclusion shows that logistics service providers are capable to perform their roles through vertical and horizontal cooperation with other logistics firms. Carriers and the freight forwarders now perform more roles than what people think they do, because the desire to remain competitive make them to take up value-added services. Today logistics service providers add values for their customers via their value-added services in a number of ways such as time and place utility including tracking and tracing the goods to ensure they are delivered.

Key words: Third-party logistics service providers • Role • Supply chain • Carriers and Freight forwarders

INTRODUCTION

Backdrop: Various opportunities are created for all organizations because of new markets and sources of supplies that are opened up. Despite these opportunities in the global markets, industries are also confronted with the challenges of shipments of raw materials, spare parts from vendors and finished goods to customers. This thus implies that the distance factor has imposed serious challenges on logistics and supply chain managers. They consider of how best to obtain high levels of efficiency, reliability and reduced cycle times [1].

The industry of logistics is a vibrant industry experiencing growth as a result of factors such as deregulation, mergers and alliances, comprising growth in logistics firms [2]. There has been a fast growth in Third Party Logistics service providers owing to the advent of advanced demand of logistics services which comprises the urge to shorten lead time, customers demand and outsourcing. Various firms belonging to other fields have now entered into the logistics market to compete with the firms whose traditional roles have been transportation and warehousing [3]. The traditional ways of developing and

structuring logistics and the supply chain are now obsolete to sustaining emerging organizations for the reason that of globalization, increasing competition, the desire to enhance reduced order cycle time as well as inventory levels [4]. Coyle *et al.* [1] claim that the term logistics became universally recognized over twenty years ago and described logistics as a series of integrated organizations that have to share information, coordinate physical execution to make sure there is a smooth flow of goods, services. Logistics is responsible for the flow and storage of materials as they are moving through the supply chain channels [5].

The success of a business originates from higher performance of a product offered at a leveraged price, having extraordinary services and convincing values. Form utility, place utility, time utility and possession utility are the types of economic utility that essentially add value to a product or service [1].

Statements of the Problem: Even though managers realized the need for the logistics perspective of materials, they understood it to be a mere technical issue that deserved less attention. Management then considered

logistics as an unavoidable cost usually associated with businesses [5]. Transportation of finished goods started to receive attention in the 1920s. Also, until 1962, logistics was described as the most abandoned but promising perspective of a business. The surveys carried out in the 1970s and 80s recommended that logistics was expensive and accounted for 15-20 percent of revenue; and that organizations would be able to make significant savings if appropriate attention was given to it [5]. According to Waters [5] logistics is crucial for every organization including those that supply intangible services.

When a firm stick to its traditional inward-looking measures merely, it could result in service-gaps and thereby pave the way for competitors to go into the market and perhaps capture some of the customers. It is of great importance for managers to realize that a firm's value-adding ability originates from the entire flows and processes of the firm. Furthermore, a firm through its marketing research has to source information regarding its customers' requirements and how best to add values that can support their customers to become successful in their businesses. Value-added activities of manufacturing, logistics and purchasing are responsible for the provision of form, place, time and possession utilities [6].

In spite of the importance and the rapid growth of the logistics industry, much has not been written on logistics firms [2]. Most studies on logistics firms and logistics service providers addressed on their services, skills and the extent of their integration and relationships with customers [2]; [7]. Therefore, the author observed that not much has been done on how the third party logistics provider functions within the logistics firm supply chain.

Objective of the Study: The objective of this study is to investigate the logistics service providers' roles in the supply chain of Pittard Tannery by recognizing how the expected roles are implemented.

Research Questions: Three research questions formulated to this study are:

- How do the logistics service providers fulfill their expected roles?
- How do the third-party logistics service providers add value for their customers?

Scope of the Study: Due to the restricted time frame for this research and especially, as logistics firms is a broad perspective in logistics, the author emphasizes on the roles

of logistics service providers in the supply chain of Pittard Tannery. Furthermore, the network of the third party logistics service providers with the other logistics firms (such as carrier and freight forwarders) will be treated generally without discussing the down-streams and up-streams differently.

MATERIALS AND METHODS

Research Approach: Kothari, [8] claim that there are two basic approaches to research, viz., *quantitative approach* and the *qualitative approach*. The former involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion. Quantitative research method uses the traditions of science while qualitative research method is more of reflective and explanatory in its systems of approach [9]. Mixed methods research is the combination of both quantitative and qualitative research methods while carrying out a study [10].

A researcher can use either deduction approach, induction approach, or the combination of both processes to reach a research outcome [11]. *Deduction* is the process by which we arrive at a reasoned conclusion by logical generalization of a known fact. *Induction*, on the other hand, is a process where we observe certain phenomena and on this basis arrive at conclusions. In other words, in induction we logically establish a general proposition based on observed facts.

This infers a general proposition can be set based on those facts that have been observed [11]. Inductive and deductive research approaches are used in this research. Findings are conducted in an exploratory manner to get more understanding of the topic under study, theories are employed and conclusions reached are based on empirical findings. First, the author searched a multitudes of books, reports, journals/ magazine articles for the previous works of other people in order to get a deeper knowledge of the research topic. Besides, the author aims to base the conclusion of the study on empirical findings through interviews with logistics firms as well as the Pittard Tannery SC.

Research Design: The research design shows the entire plans for the collection of data as well as its analysis and the research design chosen shows the types of research which could be explanatory, exploratory, descriptive, etc and the researcher's priorities [12]. Davies [9], states the nature of the research question determines the research

content, participants and the type of data needed for the re-research or study. Furthermore, quantitative inquiries do encompass the use of numerical and statistics when carrying out its findings, while qualitative findings involve obtaining data through interview, observation etc, instead of numerical means [9]. It has been generally accepted that qualitative methods seem to be the best in terms of inductive and exploratory research since they can lead to hypo-research building and explanations [12]. Besides, it has flexible ways to carry-out data collection, analysis and interpretation of information. Despite the above strengths of the qualitative method, it has the problem of consistency and reliability as the personal characteristics of the researcher may influence result of the study [13].

Qualitative and exploratory data collection methods are employed in this study. The author gathered data through interview with Logistics firms and Pittard Tannery SC and read both first-hand and second-hand sources concerning the topic under research. The interviews were face to face and via e-mail because they were the interview methods chosen by the interviewees.

Primary Data: This is the type of data or information collected directly from first-hand experience through sources such as observation, experiments, surveys or questionnaires and interviews by the person doing the research [12]. Although primary data are costly and time consuming to collect, they still prove to be more consistent with the research at hand being that the information is collected directly for the specific purpose [12]. The author of this research used semi-structured interviews with open-ended questions. Transportation manager of Walya Level 3-B Freight Transport, the General manager of Hiwot Custom Clearing and Freight Forwarding PLC, the logistics manager of Nablis Logistics PLC and the logistics manager of Pittard Tannery SC were interviewed. Each face to face interview lasted for 30 minutes to 45 minutes.

This study used Semi-structured interview. In semi-structured interviews, open-ended questions are prepared for the interview. Unstructured questions can also be asked. Questions are framed in a logical way to cover all that the researcher wants to know [14]. The author considered it suitable to use semi-structured interviews because the interviewees are given the autonomy to express their views in their own terms. Besides, the interviewee is permissible to ask the interviewer questions, for instance, in order to clarify

interview questions that are vague and in that process the researcher can gather more information. Nevertheless, semi-structured interview could be time-consuming and respondents might not be willing to participate. Prior to carrying out the interviews in this study, the author first of all, prepared some questions and presented them to the senior logistics staff for essential corrections. When the corrections were done and the senior staff confirmed that the questions were suitable, the author forwarded them to the interviewees.

Secondary Data: Secondary data means data that are already available i.e., they refer to the data which have already been collected and analyzed by someone else [8]. Secondary data play important role in research studies such that they provide information for us to recognize, explain and solve our research problems [11]. Also sourcing secondary data are time and costs saving. In view of the benefits, a researcher can derive from secondary data many scholars have hence recommended that it is a good idea for all researches to begin with secondary data sources [12].

Method of Sampling: There are two wide categories of sampling methods namely probability sampling and non-probability sampling. In probability sampling every member of the population has a well-known probability to be included in the sample. Whereas non-probability sampling, each member of the population does not have a known probability of being included in the sample [11].

Non-random sampling is employed in this research. The interviewed firms and respondents were not chosen at random. It was the judgment of the author to contact some well-known logistics firms based on their services. The author selected respondent from each of the firms using judgment sampling method as this permits the author to get information from the appropriate persons occupying positions in the selected firms. According to Sekaran [11] judgment sampling, allows the researcher to get the required information from a specific type of people (e.g. those that have expert knowledge. It has been specified under the research design that the author of research uses both qualitative and exploratory data collection methods. Data were collected via interview and literature review. Finally, conclusion was drawn from the findings.

Validity and Reliability: Validity decides whether the research actually measures what it is supposed to

measure, or to what extent the research results are truthful. Validity is of many forms, but the types commonly accepted in traditional research are internal validity and external validity. Internal validity concerns the degree of causal relationships that occur between two or more variables, while external validity states the extent to which the results can be generalized to particular persons, settings, times and population [12]. Reliability means the degree to which results are consistent over time and how accurate the whole population under study is represented; and if it is likely to reproduce the same result of the study using similar methodology. In order to confirm the validity of this research, the author decided to interview the right firms and persons those have expert knowledge in the field. On the aspect of the secondary data, literature search was done by carefully gathering required information within the scope of the study and also ensured that the sources of the information were verified and accurate. In addition, the respondents had the freedom to answer the questions in their own ways and also ask questions from the interviewer when compulsory to clarify questions they felt that were not clear enough. The author tried as much as possible not to permit his characters to either influence the interviewees nor his decision.

CONCLUSION

There are various activities are taking place in different firms and in logistics firms participating in the supply. These activities are done by people working in them as actors who are using various resources of the firms to achieve their target of production in order to satisfy their customers. None of these firms can implement all the activities alone without co-operating or connecting with other firms. The respondents in all the logistics firms and the Pittard Tannery SC claim that they have dedicated employees and management who are experts in their fields. The third party logistics providers of Pittard Tannery SC cooperate with other logistics firms namely Walya Level-3 freight transporter, Hiwot freight forwarder and Nablis Logistics and other firms in the supply chain to be able to function.

Logistics firm are easily identified by their traditional roles [15] stated about; that carriers are to move products from one point to another; freight forwarders firms consolidate products and also connect clients and carriers while third party logistics service providers coordinate, clients, carriers as well as freight forwarder firms for the sake of providing integrated services. The interviewee from each logistics firms especially carrier and freight

forwarder claim more roles (services) than people say they do. This is possible because cooperation amongst firms, network and the urge to remain competitive in the market result in taking up further value-added services.

The interviewee from all the firms have a similar idea that a value-added service is a way costs can be reduced for customers through extra services. Cost can be reduced for customers through shorter lead time, accurate delivery, delivery verification, notification services, etc. Any additional services a third party logistics service provider can offer that can bring about reduction of costs for the customers can add value for their products.

Recommendation: Based on the result of the study the role of carrier, freight forwarder and third party logistics service providers are evolving. Therefore, they must cooperate with other firms in order to remain competitive in the market. Also more research is needed in this area so that logistics firm can be properly categorized according to how they function in Addis Ababa, Ethiopia. It is no longer clear to identify the precise role each logistics firm is playing because they use each other to achieve their goals. Besides, this study is more of exploratory type and based on the small size sampled few firms interviewed, the conclusion reached cannot be generalized. Future research with a larger sample size is required.

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